

Message Text

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DRAFTED BY S/P:CFRANK/CHILL

APPROVED BY S/P:WLORD/EB:TENDERS

S/S -O: M. TANNER

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TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 120666 TOSEC 010249

E.O. 11652: GDS

TAGS: OVIP (KISSINGER, HENRY A.), OECD

SUBJECT: OECD SPEECH DRAFT (THE IMPERATIVES OF GROWTH

AND COOPERATION)

FOR SECRETARY FROM LORD AND ENDERS

BEGIN ENDERS COMMENT:

SCOWCROFT WILL HAVE TOLD YOU ABOUT EPB BUREAUCRATIC

CLASHES, AND FACT THAT FULL TEXT OF OECD INTERVENTION,

DESPITE OUR INTENTIONS, IS NOW IN THE HANDS OF MANY EPB

MEMBERS.

FIRST CONTACTS WITH TREASURY ON OPERATIONAL EXCERPTS

FROM THE SPEECH SUGGEST THAT WITH SOME WORDING CHANGES

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THE KEY ISSUE OF INCOME STABILIZATION FOR COMMODITY

PRODUCTION CAN BE HANDLED. BUFFER STOCKS ARE A LITTLE

BIT MORE CONTROVERSIAL. AS PREDICTED TREASURY IS BALKING
ON THE COORDINATION OF ECONOMIC POINTS. WE MAY NEED
SOME MUSCLE ON THIS ONE. ENDERS HAS GIVEN THE WHOLE
GROWTH PART TO ARTHUR BURNS; IF HE SUPPORTS WE CAN USE
HIM AGAINST SIMON.
ENDERS' OBJECTIVE IS TO TRY TO WRAP UP THE TREASURY BEFORE
THE PROPOSED MEETING WITH THE PRESIDENT SATURDAY MORNING.
WILL TRY TO GET AGREEMENT ANY ISSUE HE CAN'T HANDLE WILL
BE HELD OVER FOR YOUR SESSION SATURDAY AFTERNOON WITH
SIMON. END ENDERS COMMENT.

BEGIN TEXT

1. WE MEET HERE TODAY TO CONTINUE OUR EFFORTS TO CREATE
THE CONDITIONS FOR A PROSPEROUS, EQUITABLE AND HUMANE
WORLD. WE HAVE TOGETHER LAID THE FOUNDATIONS FOR OUR
PURSUIT OF THIS CAUSE OVER THE PAST THIRTY YEARS. WE
HAVE BEEN REWARDED BY AN UNPRECEDENTED PERIOD OF PEACE
AMONG THE MAJOR POWERS AND GROWING WORLD PROSPERITY.
2. BUT THE SYSTEM WE HAVE LABORED SO HARD TO CONSTRUCT
IS NOW UNDER STRESS. THE ENERGY CRISIS FIRST DRAMATIZED
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THE EXTENT TO WHICH THE FORCES OF CHANGE WERE OUT-
RUNNING OUR CAPACITY FOR COOPERATIVE PROGRESS. A FOOD
CRISIS, WORLDWIDE RECESSION AND INFLATION HAVE NOW
ADDED FURTHER ELEMENTS OF STRAIN TO THE STRUCTURE OF
INTERNATIONAL COOPERATION.
3. UNLESS OUR ACTIONS ARE COOPERATIVE, AND TAKEN WITH
FULL CONSIDERATION OF THEIR WIDER INTERNATIONAL CONSE-

QUENCES, THE RESULTS WILL INEVITABLY ERODE THE POLITICAL
AND MORAL ENVIRONMENT IN WHICH EACH OF OUR SOCIETIES
PURSUES ITS DESTINY.

4. TODAY LET ME DISCUSS WHAT WE, THE INDUSTRIALIZED
NATIONS, CAN DO -- BOTH IN OUR OWN INTEREST, AND FOR THE
LARGER HUMAN COMMUNITY WHICH ULTIMATELY SUSTAINS US.
OUR ENDEAVORS MUST FOCUS ON TWO IMPORTANT CHALLENGES:
-- A CHALLENGE TO THE (BEGIN UNDERSCORE) NATIONS OF THE
INDUSTRIAL WORLD (END UNDERSCORE) TO RETURN TO SUSTAINED
ECONOMIC GROWTH, AND THUS RENEW FAITH IN OUR INSTITUTIONS
AND LEADERSHIP;
-- A CHALLENGE TO (BEGIN UNDERSCORE) ALL NATIONS (END
UNDERSCORE) TO IMPROVE THE SYSTEM OF INTERNATIONAL
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ECONOMIC COOPERATION, AND THUS PROVIDE GREATER OPPORTUNITY
FOR THE LESS DEVELOPED COUNTRIES TO SHARE IN THE WORLD'S
GROWING WEALTH.

5. POLITICAL AND SOCIAL INSTABILITY THRIVE ON ECONOMIC
STAGNATION AND DISPUTE. HISTORY CONFIRMS THAT ONLY
ECONOMIC GROWTH CAN SATISFY COMPETING DOMESTIC DEMAND.
FOR MORE INCOME AND MORE OPPORTUNITY WITHIN AND AMONG
NATIONS; AND THAT AN ENVIRONMENT OF GROWTH AND ECONOMIC
COOPERATION FACILITATES SOLUTIONS TO INTERNATIONAL POLITICAL
AND SECURITY PROBLEMS. THUS, OUR SURVIVAL AS
NATIONS ULTIMATELY DEMANDS THAT WE MEET THESE CHALLENGES.

6. ECONOMIC EXPANSION IN THE INDUSTRIAL WORLD AND

BUILDING A NEW STRUCTURE OF ECONOMIC COOPERATION WITH
THE LESS DEVELOPED COUNTRIES GO HAND IN HAND. AN
EXPANDING WORLD ECONOMY BEST PERMITS INCREASED TRANSFER
OF RESOURCES THROUGH BILATERAL AND MULTILATERAL AID
PROGRAMS. ONLY SUSTAINED GROWTH IN THE INDUSTRIALIZED
WORLD CAN PROVIDE A LONG-TERM MARKET FOR RAW MATERIALS,
FOR MANUFACTURES, AND FOR THE AGRICULTURAL PRODUCTS ON
WHICH THE PROSPERITY OF THE DEVELOPING COUNTRIES DEPENDS.
ONLY INCREASING INCOME FOR BOTH DEVELOPED AND DEVELOPING
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COUNTRIES CAN CREATE THE PROPITIOUS CLIMATE NEEDED FOR
NEGOTIATION ON THE HARD ISSUES OF FOOD, ENERGY, RAW
MATERIALS, TRADE AND INVESTMENT.

7. THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOP-
MENT INCREASINGLY MUST ADDRESS PROBLEMS IN A GLOBAL
CONTEXT, RECOGNIZING THAT THE CHALLENGE OF GROWTH IN THE
INDUSTRIAL WORLD IS INEXTRICABLY LINKED TO THE CHALLENGE
OF OUR RELATIONSHIPS TO THE DEVELOPING NATIONS.

8. LET ME DISCUSS EACH OF THESE IN TURN.

9. GROWTH AMONG THE INDUSTRIALIZED NATIONS (UNDERSCORE)
WE HAVE WITNESSED THIRTY YEARS OF ECONOMIC GROWTH AMONG
THE INDUSTRIALIZED NATIONS. NOW, HOWEVER, WE ARE IN THE
MIDST OF A RECESSION, THE MOST SERIOUS SINCE THE GREAT
DEPRESSION OF THE THIRTIES. OUR CARDINAL TASK IS TO
FOSTER A RESUMPTION OF GROWTH.

10. SUSTAINED GROWTH REQUIRES A POLITICAL AND SOCIAL

CONSENSUS THAT GOVERNMENT POLICIES ARE EQUITABLE. THE
DISTRIBUTION OF ECONOMIC BENEFIT MUST BE BROADLY ACCEPTED;
OTHERWISE ESCALATING WAGE AND PRICE DEMANDS, LAGGING
WORK PERFORMANCE AND LABOR UNREST WILL RESULT. CONTINU-
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ING INFLATION THAT DESTROYS GROWTH WILL BE THE ARBITER
OF SOCIAL PRIORITIES.

11. WITHIN THE INDUSTRIAL WORLD THE SIGNS OF DISQUIETUDE
ARE EVERYWHERE. WE SEE IT IN THE INFLATION THAT HAS
BECOME THE HALLMARK OF OUR SOCIETIES. WE SEE IT IN THE
INCREASING DIFFICULTY OF GOVERNMENTS TO CONTROL THEIR
BUDGETS. WE SEE IT IN THE DECLINING PORTION OF THEIR
INCOME THAT MANY OF THE INDUSTRIAL DEMOCRACIES ARE
WILLING TO SAVE AND INVEST IN FUTURE GROWTH.

12. THESE DISTURBING SIGNS WILL ABATE, AND GROWTH
RESUME, ONLY IF THE INDUSTRIALIZED NATIONS TAKE STRONG
ACTION. THE FINANCE MINISTERS, MEETING TOMORROW, WILL
DISCUSS SPECIFIC ACTIONS WE CAN TAKE SEPARATELY AND
TOGETHER TO ACHIEVE THIS GOAL. SECRETARY SIMON WILL
DISCUSS THE AMERICAN RECOVERY IN DETAIL. LET ME OFFER
SOME GENERAL PROPOSITIONS THAT SHOULD FRAME OUR LONG-
TERM ACTIONS.

13. FIRST, THE INDUSTRIAL NATIONS MUST BUILD AN ATMO-
SPHERE OF CONFIDENCE BY STRONG AND COORDINATED ACTIONS
IN THE CAUSE OF SUSTAINED EXPANSION. IN THE SHORT AND
MEDIUM TERM MANAGEMENT OF OUR ECONOMIES, WE MUST
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RECOGNIZE THE EFFECTS OF THE ECONOMIC POLICIES OF ONE
NATION ON OTHERS. IN THE PAST WE HAVE USED THIS
ORGANIZATION AS WELL AS BILATERAL CONTACTS TO KEEP EACH
OTHER INFORMED ON SHORT-TERM POLICY MEASURES. FOR
EXAMPLE, THIS WINTER CHANCELLOR SCHMIDT, PRIME MINISTER
WILSON, PRESIDENT GISCARD D'ESTAING, FORMER PRIME
MINISTER TANAKA, AND PRESIDENT FORD CONSULTED ON THEIR
PLANS TO COMBAT THE RECESSION. IN THE FUTURE, WE SHOULD
USE THE OECD NOT JUST TO INFORM EACH OTHER BUT TO
DEVELOP COORDINATED POLICIES FOR THE EXPANSION OF THE
MAJOR INDUSTRIAL ECONOMIES, IN ORDER TO AVOID THE
SEQUENCE OF BOOM AND BUST EXPERIENCED THESE LAST THREE
YEARS.

14. SECOND, WE MUST SUSTAIN THE GROWTH OF INTERNATIONAL
TRADE AND INVESTMENT. BOTH HAVE STIMULATED OUR PROSPERITY
FOR OVER A GENERATION, CONSISTENTLY EXPANDING AT RATES
TWICE THAT OF OUR DOMESTIC ECONOMIES. THIS IS THE FRUIT
OF THE GREAT POSTWAR EFFORT TO LIBERALIZE TRADE, TO
LESSEN BARRIERS TO INVESTMENT, AND TO MAINTAIN FREE
MONETARY EXCHANGES. WE MUST CARRY THIS EFFORT FORWARD:

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-- IN THE OECD, BY RENEWING AND RESPECTING OUR PLEDGE
NOT TO ADOPT RESTRICTIVE TRADE MEASURES TO COVER OUR
DEFICITS STEMMING FROM CURRENT WORLD ECONOMIC PROBLEMS;
AND

-- IN THE GATT, BY RIGOROUS CONDUCT OF THE ROUND OF
MULTILATERAL TRADE NEGOTIATIONS, NOW BEGINNING, TO LOWER
TARIFF AND NON-TARIFF BARRIERS TO TRADE.

15. THIRD, AS I OUTLINED YESTERDAY IN THE IEA, WE MUST
ADOPT POLICIES ON ENERGY CONSERVATION AND ALTERNATIVE
SOURCES THAT RESULT IN A RETURNING OF OIL PRICES TO
EQUILIBRIUM. HIGH OIL PRICES LIMIT GROWTH. AND WHEN
OPEC'S IMPORTS CATCH UP WITH ITS INCOME, SUCH PRICES
WILL IMPOSE AN ANNUAL TRANSFER OF MORE THAN ONE PERCENT
OF OUR OUTPUT, WHICH OTHERWISE WOULD BE AVAILABLE FOR
CONSUMPTION OR INVESTMENT WITHIN OUR ECONOMIES.

16. FINALLY, WE MUST DEVELOP LONGER-TERM GROWTH
STRATEGIES. WE MUST IDENTIFY THE POLITICAL AND ECONOMIC
CONDITIONS NECESSARY FOR SUSTAINED GROWTH IN THE LATE
1970'S AND EARLY 1980'S. WE MUST BEGIN A SYSTEMATIC
ATTEMPT TO ANSWER SOME FUNDAMENTAL, LONG-RANGE QUESTIONS:

-- HOW CAN THE INDUSTRIAL SOCIETIES CREATE THE CONDITIONS
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NECESSARY FOR THE MASSIVE CAPITAL FORMATION REQUIRED
OVER THE NEXT DECADE, NOT ONLY FOR AN ADEQUATE RATE OF
GROWTH, BUT FOR A NEW QUALITY OF GROWTH?

-- WHAT POLICIES ARE NEEDED TO RESTORE A NON-INFLATIONARY
ENVIRONMENT FOR LONGER-TERM GROWTH?

-- HOW CAN WE ENCOURAGE THE RESEARCH AND DEVELOPMENT
EFFORT NEEDED TO SUSTAIN, AND TRANSFER TO OTHERS, THE
CHANGING TECHNOLOGY SO VITAL TO OUR POSTWAR GROWTH?

17. TO BEGIN THE SEARCH FOR ANSWERS TO THESE QUESTIONS, I PROPOSE THAT WE CONSTITUTE A SPECIAL HIGH LEVEL GROUP OF DISTINGUISHED ECONOMISTS BOTH IN AND OUT OF GOVERNMENT TO DRAW UP AN OECD GROWTH STRATEGY FOR THE NEXT FIVE YEARS. THIS GROUP SHOULD DRAW ON THE PROJECTIONS NOW BEING DEVELOPED WITHIN THE ECONOMIC POLICY COMMITTEE. BUT ITS FOCUS SHOULD BE ON POLICY. IT SHOULD REPORT TO THE NEXT MINISTERIAL MEETING.

18. CLOSE ECONOMIC COOPERATION IS AN IMPORTANT ELEMENT IN THE COHESIVENESS OF OUR ALLIANCES. THAT COHESIVENESS, AS WELL AS OUR ECONOMIC STRENGTH AND VITALITY, ARE INDISPENSABLE IF WE ARE TO DISCOURAGE THREATS TO OUR
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COMMON SECURITY. WE CANNOT BE DISUNITED AND PREOCCUPIED WITH ECONOMIC PROBLEMS IF WE ARE TO COOPERATE IN TIMES OF POLITICAL AND MILITARY CRISIS.

19. MOREOVER, STABLE RELATIONS WITH THE COMMUNIST WORLD REQUIRE US TO DEMONSTRATE THE STRENGTH AND VITALITY OF OUR OPEN ECONOMIC SYSTEM. THEIR INCENTIVE TO PLAY A RESPONSIBLE ROLE IN THE WORLD ECONOMY AND IN THEIR POLITICAL RELATIONSHIPS WITH THE WEST WILL BE ENHANCED AS THEIR STAKE GROWS IN OUR ECONOMIC SUCCESS.

20. FINALLY, STABLE GROWTH IS CRITICAL TO THE WELL-BEING OF THE DEVELOPING WORLD. LET ME NOW TURN TO THE CRUCIAL QUESTION OF THE RELATIONSHIP BETWEEN THE INDUSTRIALIZED AND THE DEVELOPING WORLD.

21. COOPERATION WITH THE DEVELOPING NATIONS (UNDERScore)

THE RETURN TO GROWTH IS PRIMARILY THE TASK OF THE
INDUSTRIALIZED NATIONS, SINCE THEY ACCOUNT FOR 65 PER-
CENT OF THE WORLD'S OUTPUT AND 70 PERCENT OF ITS TRADE.

22. BUT SUSTAINING THAT GROWTH REQUIRES A STRUCTURE OF

INTERNATIONAL COOPERATION IN WHICH THE DEVELOPING
COUNTRIES ARE, AND PERCEIVE THEMSELVES TO BE, EFFECTIVE
PARTICIPANTS. FOR THE NEW PROBLEMS OF OUR ERA -- FOOD,
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ENERGY, AND RAW MATERIALS -- CAN BE RESOLVED ONLY WITHIN
NEW COMMUNITIES OF INTEREST THAT INCLUDE DEVELOPING AS
WELL AS DEVELOPED COUNTRIES.

23. THE PROBLEM OF AN EFFECTIVE RELATIONSHIP WITH THE

LESS DEVELOPED COUNTRIES IS A CHALLENGE SHARED BY ALL THE
INDUSTRIALIZED NATIONS. ITS SOLUTION IS A TEST OF OUR
ABILITY TO ACT DECISIVELY IN THE FACE OF OTHER CHALLENGES.

24. A SOLUTION IS ESSENTIAL IF WE ARE TO BUILD ON OUR

INTERNATIONAL SYSTEM FOR THE MAINTENANCE OF WORLD ORDER
AND PEACE. QUICK AND FAIR RESOLUTION OF ECONOMIC
DIFFERENCES AMONG NATIONS WILL HELP ESTABLISH THE ATMO-
SPHERE REQUIRED FOR THE RESOLUTION OF POLITICAL AND
SECURITY DIFFERENCES. THERE CAN BE NO STABLE INTER-
NATIONAL SYSTM SO LONG AS SOME NATIONS HAVE LITTLE SHARE
IN ITS ECONOMIC BENEFITS OR REJECT IT AS UNJUST.

25. THE U.S. IS READY TO JOIN OTHERS IN MEETING THIS

CHALLENGE WITH NEW APPROACHES AND NEW ATTITUDES. BUT
OTHERS MUST BE EQUALLY FORTHCOMING. COOPERATION AND

CONFRONTATION CANNOT BE CARRIED ON SIMULTANEOUSLY. THE

UNITED STATES WILL NOT TOLERATE THE USE OF INTER-

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NATIONAL FORUMS FOR THE SELF-INDULGENT EXERCISE OF

NATIONALISTIC OPINION WITHOUT REFLECTION OR RESPONSIBILITY.

THE CONFRONTATIONAL RHETORIC AND BLOC PRESSURE TACTICS

WHICH INCREASINGLY HAVE MARRED INTERNATIONAL DISCOURSE NO

LONGER HAVE REASON OR PLACE. IT IS TIME TO DEFINE AND

ADDRESS THE COMMON CONCERNS OF ALL THE WORLD'S PEOPLE

IN A SPIRIT OF REALISM, MATURITY, MUTUALITY, AND

COMMON SENSE.

26. BUT THOSE COMMON CONCERNS ENCOMPASS A NEW AND SHIFT-

ING DIVERSITY OF COMMUNITIES OF INTEREST. THIS IS MADE

OBVIOUS IN THE EMERGENCE OF NEW ECONOMIC POWERS, MOST

PROMINENTLY THE OIL-RICH, BUT ALSO THOSE WITH GROWING

CAPACITY TO EXPORT MANUFACTURES AND RAW MATERIALS.

FULLER PARTICIPATION OF THESE COUNTRIES IS INDISPENSABLE

IN THE BUILDING OF A NEW ERA OF COOPERATION.

27. ALSO WE NEED PAY PARTICULAR CONCERN TO THE NEEDS

OF THE POOREST COUNTRIES. NATIONS CALLOUS TO THEIR

PLIGHT MUST FORFEIT ANY MORAL CLAIM TO WORLD LEADERSHIP.

28. WITHIN THIS EXTENDED CONCEPT OF MUTUAL BENEFIT AND

RESPONSIBILITY, LET ME OUTLINE THE PROGRAM FOR COOPER-

ATION ON THE CRITICAL ECONOMIC ISSUES OF OUR TIME THAT

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THE UNITED STATES PROPOSES. YESTERDAY I DISCUSSED OUR OBJECTIVES OF ACHIEVING A MULTILATERAL DIALOGUE IN ENERGY. TODAY LET ME TURN TO FOOD, RAW MATERIALS, TRADE, AND FINANCE. FOR MUTUALLY BENEFICIAL SOLUTIONS IN THESE AREAS WILL BE THE INDISPENSABLE BUILDING BLOCKS FOR THE NEW ERA OF COOPERATION WE SEEK.

29. FOOD (UNDERSCORE)

IF WE DO NOT MOVE TO SOLVE OUR PROBLEMS IN FOOD, NOTHING ELSE WE DO CAN HAVE MEANING. THE WORLD'S TOTAL REQUIREMENTS FOR FOOD ARE GROWING DRAMATICALLY. THE GAP BETWEEN WHAT DEVELOPING COUNTRIES CAN PRODUCE AND WHAT THEY NEED NOW AMOUNTS TO ABOUT 25 MILLION TONS. AT PRESENT RATES OF FOOD PRODUCTION AND POPULATION GROWTH, THIS COULD DOUBLE OR TRIPLE IN TEN YEARS. UNLESS WE ACT NOW, OVER THE NEXT QUARTER CENTURY THE WORLD WILL FACE A SERIES OF INCREASINGLY UNMANAGEABLE FOOD CRISES.

30. MOREOVER, FOOD PRODUCTION HAS NEVER PROCEEDED ALONG A SMOOTH TREND. WEATHER-INDUCED SUPPLY FLUCTUATIONS ARE A MAJOR CAUSE OF INSTABILITY IN FOOD PRICES AND AVAILABILITY. ADEQUATE GRAIN RESERVES ARE CRITICAL TO RELIEVE

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HUNGER IN THE BAD YEARS AS WELL AS THE GOOD AND REDUCE PRESSURES ON SUPPLY AND MARKETS.

31. FOR THE SHORT-TERM, UNTIL PROGRESS IS MADE ON THE FUNDAMENTAL PROBLEMS OF PRODUCTION AND RESERVES, FOOD AID WILL CONTINUE TO BE VITAL TO FEED THE HUNGRY AND

STARVING VICTIMS OF POVERTY AND NATURAL DISASTER.

INCREASED FOOD AID IS AN INTERNATIONAL RESPONSIBILITY --

TO BE SHARED BY ALL FINANCIALLY ABLE COUNTRIES.

32. BUT NO FUNDAMENTAL, LONG-TERM SOLUTION TO THE FOOD

PROBLEM IS POSSIBLE UNLESS:

-- WORLD FOOD PRODUCTION CAPACITY IS INCREASED,

ESPECIALLY IN THE DEVELOPING COUNTRIES; AND

-- AN INTERNATIONAL SYSTEM OF GRAIN RESERVES IS CREATED.

LET ME TURN TO THE U.S. PROPOSALS IN THESE AREAS.

33. THROUGH BETTER YIELDS AND MORE EXTENSIVE USE OF

WATER AND CULTIVATABLE LAND, THE LESS DEVELOPED NATIONS

POSSESS AN UNPARALLELED POTENTIAL FOR INCREASED PRO-

DUCTION. THEIR EFFORTS REQUIRE NEW FINANCIAL RESOURCES

AND NEW METHODS TO LINK FUNDING TO THE DEVELOPMENT OF

EFFECTIVE AGRICULTURAL POLICIES AND PRACTICES IN THE

FOOD-DEFICIT COUNTRIES. TO THESE ENDS, THE U.S. SUPPORTS
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TWO NEW INTERNATIONAL MECHANISMS:

34. FIRST, AN INTERNATIONAL FUND FOR AGRICULTURAL DEVEL-

OPMENT. THIS APPROACH, PROPOSED BY THE OIL-PRODUCING

NATIONS, CAN HELP BRING TOGETHER ALL DONORS PREPARED TO

CONTRIBUTE ADDITIONAL RESOURCES, OVER SOME AGREED BASE

YEAR, TO AGRICULTURAL DEVELOPMENT. PRESIDENT FORD HAS

ASKED ME TO TELL YOU TODAY THAT THE U.S. WILL PARTICI-

PATE IN THE COMMITMENTS NEEDED TO CREATE SUCH A FUND,

WHOSE RESOURCES, WE BELIEVE, SHOULD TOTAL AT LEAST

\$1 BILLION A YEAR.

35. THE LINK BETWEEN FUNDING AND EFFECTIVE AGRICULTURAL DEVELOPMENT STRATEGIES CAN BE PROVIDED BY THE SECOND ORGANIZATION, THE CONSULTATIVE GROUP ON FOOD PRODUCTION AND INVESTMENT, ORGANIZED UNDER THE WORLD'S LEADING FINANCIAL AND AGRICULTURAL INSTITUTIONS. THE GROUP, WHICH PLANS ITS FIRST MEETING IN JULY, SHOULD BE THE CENTRAL MECHANISM FOR COOPERATION AMONG BOTH TRADITIONAL AND NEW DONORS AND THE DEVELOPING COUNTRIES THEMSELVES.

36. THE SECOND KEY ELEMENT IN A LONG-TERM FOOD ACTION PLAN IS RESERVES. WE AGREED AT THE ROME FOOD CONFERENCE

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TO NEGOTIATE A NEW INTERNATIONAL SYSTEM OF NATIONALLY HELD GRAIN RESERVES. I RECENTLY OUTLINED OUR SUGGESTED PRINCIPLES FOR SUCH A SYSTEM:

-- FIRST, TOTAL WORLD RESERVES MUST BE LARGE ENOUGH TO MEET POTENTIAL SHORTFALLS IN FOOD GRAINS PRODUCTION.

-- SECOND, GRAIN EXPORTERS AND IMPORTERS SHOULD AGREE ON A FAIR ALLOCATION OF RESERVE HOLDINGS, TAKING INTO ACCOUNT WEALTH, GRAIN PRODUCTIVE CAPACITY, AND TRADE.

-- THIRD, THERE SHOULD BE AGREED INTERNATIONAL RULES OR GUIDELINES TO ENCOURAGE MEEMBERS TO BUILD UP RESERVES IN TIMES OF GOOD HARVEST.

-- FOURTH, EACH PARTICIPATING COUNTRY SHOULD BE FREE TO DETERMINE HOW ITS RESERVES WILL BE MAINTAINED AND WHAT INCENTIVES TO PROVIDE FOR THEIR BUILDUP, MAINTENANCE, AND DRAW-DOWNS.

-- FIFTH, RULES OR GUIDELINES SHOULD BE AGREED IN

ADVANCE FOR THE DRAW-DOWN OF RESERVES, TRIGGERED BY SHORT-

FALLS IN WORLD PRODUCTION. THERE MUST BE A CLEAR PRE-

SUMPTION THAT ALL MEMBERS WOULD MAKE RESERVES AVAILABLE

WHEN NEEDED AND, CONVERSELY, THAT RESERVES WOULD NOT BE

RELEASED PREMATURELY OR EXCESSIVELY AND THUS UNNECES-
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SARILY DEPRESS MARKET PRICES.

-- SIXTH, IN TIMES OF SHORTAGE THE SYSTEM MUST ASSURE

ACCESS TO SUPPLIES FOR COUNTRIES THAT PARTICIPATE IN IT,

AND THERE MUST BE SPECIAL PROVISION TO MEET THE NEEDS

OF THE POOREST DEVELOPING COUNTRIES.

-- FINALLY, THE SYSTEM MUST ENCOURAGE EXPANDED AND

LIBERALIZED TRADE IN GRAINS.

37. THE UNITED STATES IS PREPARED TO HOLD AN IMPORTANT

PART OF AN AGREED LEVEL OF WORLD RESERVES. IF OTHERS

JOIN US IN NEGOTIATING A RESERVES SYSTEM, AGREEMENT ON

ITS OUTLINES CAN BE ACHIEVED BEFORE THE END OF THE YEAR.

38. COMMODITIES (UNDERScore)

A SECOND CRITICAL AREA FOR ACTION IS COMMODITIES, WHERE

SIMMERING DIFFERENCES THREATEN TO UNSETTLE WIDER EFFORTS

AT ECONOMIC AND POLITICAL COOPERATION BETWEEN THE

DEVELOPING AND THE DEVELOPED. THE TIME IS RIPE FOR A NEW

LOOK AT PROBLEMS OF COMMODITY TRADE -- FOR NEW SOLUTIONS

OF MUTUAL BENEFIT TO PRODUCERS AND CONSUMERS.

39. PRICE VOLATILITY, SUPPLY DISRUPTION, INVESTMENT

DISPUTES, AND INCREASING HOSTILITY TO THE PRIVATE FIRMS

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THAT PROVIDE MANAGED TECHNOLOGY FOR RESOURCE DEVELOPMENT

ARE NOT IN THE INTERESTS OF EITHER PRODUCERS OR CON-

SUMERS, FOR OVER THE LONG-TERM THEY ADVERSELY AFFECT THE

PRICE AND AVAILABILITY OF RAW MATERIALS VITAL TO

ECONOMIC PROGRESS OF CONSUMING NATIONS. AND PRODUCING

COUNTRIES NEED AN ADEQUATE RETURN ON THEIR INVESTMENTS

IN NATURAL RESOURCES AND STABLE AND GROWING EXPORT

EARNINGS TO FINANCE THEIR DEVELOPMENT PLANS ON A RELIABLE

BASIS.

40. MORE IMPORTANTLY, THE FRUSTRATION AND DIFFICULTIES

OF AN INCREASINGLY POLARIZED DEBATE ON RAW MATERIALS

WILL BE DAMAGING TO ATTEMPTS AT FAR-REACHING INTER-

NATIONAL COOPERATION. THE FAILURE OF THE PREPARATORY

ENERGY CONFERENCE LAST MONTH TO AGREE ON HOW TO DEAL WITH

MATERIALS IS A SYMPTOM OF THIS LARGER PROBLEM.

41. IN RESPONSE TO THE PROBLEMS OF COMMODITY TRADE, THE

UNITED KINGDOM HAS PROPOSED A SERIES OF CONCRETE STEPS

ON COMMODITIES. WHILE WE HAVE RESERVATIONS ABOUT SOME

ASPECTS OF THEIR PROPOSALS, WE WELCOME THEIR INITIATIVE

AND CONCERN.

42. IN THIS SAME SPIRIT, THE UNITED STATES WOULD LIKE TO

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PROPOSE NEW STEPS FOR ADDRESSING THE PROBLEMS OF COMMOD-

ITY MARKETS.

43. FIRST, WE WILL PROPOSE THAT NEW RULES AND PROCEDURES FOR ACCESS TO MARKETS AND SUPPLIES BE NEGOTIATED IN THE MULTILATERAL TRADE NEGOTIATIONS.

44. SECOND, WE ARE PREPARED TO DISCUSS NEW ARRANGEMENTS FOR INDIVIDUAL COMMODITIES ON A CASE-BY-CASE BASIS. WE HAVE ALREADY MADE INNOVATIVE PROPOSALS FOR A NEW INTERNATIONAL COFFEE AGREEMENT. WE ARE PARTICIPATING IN DISCUSSIONS WITH THE MEMBERS OF THE INTERNATIONAL TIN COUNCIL. AND WE ARE PREPARED TO JOIN OTHER COPPER PRODUCERS AND CONSUMERS IN A DIALOGUE ABOUT THE PROBLEMS AND POSSIBLE ACTIONS IN THIS AREA.

45. THIRD, I HAVE RECENTLY SUGGESTED THAT THE WORLD BANK EXPAND ITS FINANCING OF RESOURCE INVESTMENTS AND EXPLORE NEW WAYS OF COMBINING ITS FINANCING WITH PRIVATE MANAGEMENT, TECHNOLOGY AND CAPITAL. THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND COULD ALSO PROVIDE IMPROVED FACILITIES FOR FINANCING COUNTER-CYCLICAL STOCKHOLDING WHERE AGREED BY PRODUCERS AND CONSUMERS.

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46. FOR MANY LESS DEVELOPED COUNTRIES, THE REAL ISSUE IS NOT PRICE INSTABILITY, BUT THEIR DESIRE FOR RELIABLE, LONG-TERM STABILITY AND GROWTH IN THEIR EXPORT EARNINGS. THE TIME HAS COME TO REVIEW EXISTING TECHNIQUES FOR EARNINGS STABILIZATION, SUCH AS THAT OF THE IMF AND THOSE OF THE NEW LOME CONVENTION, TO SEE WHAT MIGHT BE DONE TO INSURE THE NEEDIEST DEVELOPING COUNTRIES AGAINST

EXCESSIVE FLUCTUATION IN THEIR EXPORT INCOME.

47. COOPERATIVE ACTION AMONG THE INDUSTRIALIZED NATIONS

IS CRUCIAL TO THE OUTCOME OF OUR COMMODITIES EFFORT. OUR

SUCCESS IN THIS AREA IS ESSENTIAL TO THE STRUCTURE OF

INTERNATIONAL COOPERATION THAT WE HOPE TO ACHIEVE.

THUS THE UNITED STATES SUPPORTS THE OECD PROPOSALS FOR

A HIGH LEVEL GROUP ON COMMODITIES TO STUDY PROPOSALS IN

THIS AREA.

48. TRADE AND FINANCE (UNDERScore)

THE MORE TRADITIONAL AREAS OF INTERNATIONAL COOPERATION,

TRADE AND FINANCE, CUT ACROSS OUR EFFORTS ON THE GROWING

PROBLEM OF PRODUCTION AND COMMERCE IN NATURAL RESOURCES.

PROGRESS ON GENERAL TRADE AND MONETARY MATTERS MUST BE

SUSTAINED IF WE ARE TO DEAL SUCCESSFULLY WITH THE NEW
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ECONOMIC ISSUES.

49. AT THE PRESENT TIME, TWO PROBLEMS STAND OUT:

-- FIRST, DEVELOPING COUNTRIES WITH LARGE AND GROWING

INDUSTRIAL SECTORS, PARTICULARLY IN EAST ASIA AND LATIN

AMERICA, REQUIRE EXPANDING MARKETS FOR THEIR MANUFAC-

TURED GOODS. FOR THESE COUNTRIES, THE TOKYO DECLARA-

TION'S PLEDGE TO PROVIDE ACCESS TO INDUSTRIAL WORLD

MARKETS FOR DEVELOPING COUNTRIES MUST BECOME A REALITY.

AT THE SAME TIME, THE SUCCESS OF THESE NEGOTIATIONS

DEMANDS SERIOUS PARTICIPATION BY THE DEVELOPING COUNTRIES

IN THE GIVE AND TAKE OF DISCUSSIONS THAT WILL BRING GAINS

FROM TRADE TO ALL THE PARTIES INVOLVED.

-- SECOND, THE POOREST COUNTRIES NEED HELP FROM OUR
INTERNATIONAL FINANCIAL SYSTEM. FOR THEY NOW BEAR THE
BURDEN BOTH OF HIGHER PRICES FOR IMPORTED ENERGY, FOOD,
FERTILIZER AND INDUSTRIAL GOODS, AND OF REDUCED EXPORT
POTENTIAL CAUSED BY WORLDWIDE RECESSION. FOR THIS REASON,
WE CONSIDER IT A MATTER OF URGENCY THAT A SPECIAL TRUST
FUND OF UP TO \$2 BILLION BE ESTABLISHED UNDER THE IMF BY
1976. WE HAVE PROPOSED THAT GOLD NOW HELD BY THE
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IMF BE SUPPLEMENTED BY OTHER CONTRIBUTIONS, ESPECIALLY
FROM OIL PRODUCERS, AND USED TO PROVIDE RESOURCES FOR
HALF THIS TOTAL. WE BELIEVE THE INDUSTRIAL COUNTRIES
COULD BE FLEXIBLE IN MEETING THE DESIRES OF CONTRIBUTING
COUNTRIES REGARDING MANAGEMENT AND OTHER ARRANGEMENTS
FOR A TRUST FUND. I WOULD HOPE THAT THE COUNTRIES OF THE
OECD COULD PUT THIS PROPOSAL FORWARD FOR ACTION AT THE
MEETINGS OF THE IMF INTERIM COMMITTEE AND IMF/IBRD
DEVELOPMENT COMMITTEE IN TWO WEEKS TIME.

50. THE BASIS FOR A NEW APPROACH (UNDERScore)
THE BUILDING OF A NEW RELATIONSHIP WITH THE DEVELOPING
NATIONS REQUIRES A SPIRIT OF COOPERATION -- NOT
CONFRONTATION. OF CENTRAL IMPORTANCE WILL BE OUR
CAPACITY TO DISTINGUISH BETWEEN THE POLITICAL PERCEPTION
OF THE DEVELOPING COUNTRIES AS A SINGLE ENTITY AND THE
REALITY OF THEIR DIVERSITY -- IN RESOURCE ENDOWMENT AND

IN EXTENT OF DEVELOPMENT. WE CAN ACCEPT THEIR POLITICAL
NEED FOR UNITY. BUT WE MUST ALL REALIZE THEIR DIVERSITY
DEMANDS A VARIETY OF RESPONSES; THAT NO COMPREHENSIVE
SOLUTION IS POSSIBLE; AND THAT EFFECTIVE COOPERATION
AMONG PARTIES MOST CONCERNED IS THE KEY TO SOLVING
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SPECIFIC PROBLEMS.

51. THE OECD NATIONS HAVE A HISTORY OF COOPERATION
IN ADDRESSING THE PROBLEMS OF THE LESS DEVELOPED
COUNTRIES, AND NO AMOUNT OF COMPLAINING THAT NOT ENOUGH
HAS BEEN DONE WILL CHANGE THAT FACT. WE, THE DEVELOPED
NATIONS, HAVE A DUTY TO WARN AGAINST AND TO RESIST CON-
FRONTATION; FOR IT IS IN THE LONG-TERM INTEREST OF NO
NATION. AND WE CANNOT BE EXPECTED TO REMAIN SILENT
AND GENEROUS AS WELL, IF NO MATTER WHAT WE DO, IT IS
CHARACTERIZED AS LESS THAN WHAT IS DUE THE RECIPIENT.

52. THE MOVE AWAY FROM EXISTING PATTERNS OF CONFRONTA-
TION WILL BE A DIFFICULT AND TIME-CONSUMING PROCESS.
BUT, IN ORDER TO PRESERVE AND BUILD UPON THE ENTIRE
STRUCTURE OF WORLD ECONOMIC RELATIONSHIPS, IT IS
IMPORTANT THAT ALL OF OUR COUNTRIES PLAY A CONSTRUCTIVE
ROLE IN PROMOTING SPECIFIC AND PRACTICAL APPROACHES
THAT CAN BE BROADLY ACCEPTABLE. AS A FIRST STEP, THE
UNITED STATES SUPPORTS THE SECRETARY GENERAL'S PROPOSAL
FOR A REVIEW OF OUR ECONOMIC RELATIONSHIPS WITH DEVELOP-
ING COUNTRIES. WE ALSO WELCOME THE PROPOSAL OF THE
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GOVERNMENT OF JAPAN FOR A MAJOR POLICY-ORIENTED STUDY
WITHIN THE OECD ON THE LONGER-RUN DEVELOPMENT OF
ADVANCED INDUSTRIAL SOCIETIES IN HARMONY WITH THE LESS
DEVELOPED COUNTRIES.

53. BUT WE MUST CONTINUE TO DEVELOP OUR POSITIONS ON
ISSUES OF MUTUAL BENEFIT TO DEVELOPING AND DEVELOPED
NATIONS IN OTHER FORA SUCH AS THE SEVENTH SPECIAL
SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY THIS FALL.

54. CONCLUSION (UNDERScore)

OUR MODERN ERA HAS BEEN CREATED AND SHAPED BY THE
INDUSTRIAL REVOLUTION AND THE PROGRESSIVE ECONOMIC
GROWTH IT BROUGHT. ITS IMPACT HAS BEEN RAPID, ITS
RESULTS PRODIGIOUS, ITS EFFECTS UNPRECEDENTED. IT HAS
CREATED A NEW AGE OF WELLBEING AND PROVIDED THE MEANS
BY WHICH RAPID ECONOMIC GROWTH, CONFINED TO WESTERN
EUROPE AND THE UNITED STATES A CENTURY AGO, HAS
EXPANDED INTO MANY PARTS OF THE GLOBE.

55. FOR THE INDUSTRIAL NATIONS GROWTH PROMOTES SECURITY,
SUSTAINS PROSPERITY AND SOCIAL VALUES. IT HAS PRO-
VIDED THE MEANS FOR ADDRESSING THE PROBLEM OF DISTRIBU-
TION AT HOME, WITHIN A STABLE POLITICAL AND SOCIAL
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ENVIRONMENT.

56. FOR THOSE STILL STRIVING TO INDUSTRIALIZE, GROWTH
REPRESENTS THE BEST HOPE FOR A BETTER LIFE -- THE

CHANCE TO SHARE IN THE WORLD'S GROWING WEALTH.

57. FOR THE NEW CHALLENGES WE FACE, A VITAL, GROWING
SYSTEM PROVIDES THE ONLY MEANS FOR MASSING THE
RESOURCES REQUIRED FOR CREATIVE AND SUSTAINED SOLUTIONS
TO THE PROBLEMS OF FOOD, ENERGY, ENVIRONMENT AND THE
OTHER GREAT GLOBAL IMPERATIVES OF OUR TIME. IT PROVIDES
A FOUNDATION ON WHICH TO BUILD A STABLE AND EQUITABLE
WORLD SYSTEM.

58. THERE ARE NO PLATEAUS IN THE AFFAIRS OF MANKIND.
WHAT IS NOT A STEP FORWARD IS AT BEST STAGNATION; BUT
MORE OFTEN, IT IS A PAUSE BEFORE RETREAT. THERE IS
NO NEED TO BE DISMAYED OR DISTRAUGHT BY THE PROBLEMS
WE FACE, FOR PROGRESS IMPLIES PROBLEMS. THE CIRCUM-
STANCES OF OUR TIME HAVE PROVIDED THE NATIONS OF THE
WORLD WITH A UNIQUELY SHARED PERCEPTION OF OUR COMMON
PREDICAMENT. THE OPPORTUNITY TO WRITE A NEW AND
ENDURING CHAPTER IN THE STORY OF INTERNATIONAL COOPER-
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ATION IS BEFORE US.

59. WE CANNOT PAUSE TO REST. WE CANNOT FIND COMFORT
IN OLD SOLUTIONS OR OUTMODED SLOGANS. WE CANNOT MISTAKE
OUR OWN FIELD OF VISION FOR THE HORIZON OF ALL MANKIND.
BUT WE CAN RESPOND TO THE IMPERATIVES BEFORE US. WE
HAVE THE AWARENESS, THE TOOLS, AND THE DETERMINATION.
LET US NOW RESOLVE TO BUILD THE NEW ERA THAT OUR TIMES
DEMAND. INGERSOLL

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